

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 119*

Short Title: PED Recs/Publicly Funded Substance Abuse Svcs. (Public)

Sponsors: Representatives Horn, Hurley, and Saine (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Health, if favorable, Appropriations.

March 2, 2015

A BILL TO BE ENTITLED
AN ACT INTEGRATING STATE-OPERATED ALCOHOL AND DRUG ABUSE
TREATMENT CENTERS (ADATCS) INTO THE ARRAY OF PUBLICLY FUNDED
SUBSTANCE ABUSE SERVICES MANAGED BY LOCAL MANAGEMENT
ENTITIES/MANAGED CARE ORGANIZATIONS, REALLOCATING DIRECT STATE
APPROPRIATIONS FOR ADATCS TO THE DIVISION OF MENTAL HEALTH,
DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES FOR
MANAGEMENT BY THE LME/MCOS, AND STRENGTHENING THE
PERFORMANCE MANAGEMENT SYSTEM FOR PUBLICLY FUNDED SUBSTANCE
ABUSE SERVICES, AS RECOMMENDED BY THE JOINT LEGISLATIVE PROGRAM
EVALUATION OVERSIGHT COMMITTEE.

The General Assembly of North Carolina enacts:

PART I. DEFINITIONS

SECTION 1. As used in this act, the following definitions apply unless the context requires otherwise:

- (1) ADATCs. – All of the Alcohol and Drug Treatment Centers under the jurisdiction of the DHHS Secretary, as identified in G.S. 122C-181.
- (2) DHHS. – The North Carolina Department of Health and Human Services.
- (3) DMH/DD/SAS. – The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the North Carolina Department of Health and Human Services.
- (4) DSOHF. – The Division of State-Operated Healthcare Facilities of the North Carolina Department of Health and Human Services.
- (5) LME/MCO or Local Management Entity/Managed Care Organization. – As defined in G.S. 122C-3; a local management entity that is under contract with DHHS to operate the combined Medicaid Waiver program authorized under Section 1915(b) and Section 1915(c) of the Social Security Act.
- (6) Transition period. – The three-year period beginning July 1, 2016, and ending June 30, 2019, during which ADATCs are to be fully integrated into the array of publicly funded substance abuse services managed by the LME/MCOs.



PART II. DHHS TRANSITION BUSINESS PLAN FOR INTEGRATING ADATCS INTO THE ARRAY OF PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES MANAGED BY LME/MCOS.

SECTION 2.(a) It is the intent of the General Assembly to integrate the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs over a three-year period, beginning no earlier than July 1, 2016, and ending with full integration by June 30, 2019.

SECTION 2.(b) By April 1, 2016, DHHS shall prepare and submit to the Joint Legislative Oversight Committee on Health and Human Services a three-year transition business plan for integrating all ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs. The plan shall include at least all of the following components:

- (1) The projected demand by LME/MCOs for substance abuse services provided by the ADATCs during (i) each fiscal year of the transition period and (ii) the first three fiscal years subsequent to full integration of the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs.
- (2) The projected availability of services at all ADATCs during (i) each fiscal year of the transition period and (ii) the first three fiscal years subsequent to full integration of the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs.
- (3) Procedures for making operational adjustments at each of the ADATCs during the transition period based upon the demand for services and the availability of funding to provide these services. Operational adjustments may include one or any combination of the following:
 - a. Staffing adjustments.
 - b. Changes in the use of contract staff.
 - c. Facility closures.
- (4) A methodology for establishing and updating the rates to be paid by LME/MCOs for substance abuse services provided by ADATCs to individuals receiving these services under the management of the LME/MCOs.
- (5) A uniform process for LME/MCOs to give prior authorization for ADATCs to admit and treat individuals whose care is managed and paid for by the LME/MCOs. The prior authorization process developed pursuant to this subsection shall be developed by DHHS, in consultation with the LME/MCOs. As part of this process, an ADATC shall provide screening and triage services and notify the appropriate LME/MCO when an individual reliant upon State funds for substance abuse services seeks direct admission to the ADATC. The LME/MCO for the catchment area in which the individual resides shall determine if the individual should be admitted to the ADATC based upon clinical information provided by the ADATC. If the LME/MCO approves admission, the LME/MCO shall be financially responsible for all inpatient substance abuse services rendered by the ADATC to the individual. If the LME/MCO denies admission, the LME/MCO shall be responsible for paying the cost of assessment services performed by the ADATC and for making arrangements for the individual to receive alternative substance abuse services.

PART III. TERMINATION AND REALLOCATION OF DIRECT STATE APPROPRIATIONS FOR ADATCS

SECTION 3.(a) It is the intent of the General Assembly to gradually terminate all direct State appropriations for ADATCs by the beginning of the 2019-2020 fiscal year and instead reallocate this funding to DMH/DD/SAS for community services in order to allow the LME/MCOs to assume responsibility for managing the full array of publicly funded substance abuse services, including those delivered through the ADATCs. To this end and notwithstanding any other provision of law, all direct State appropriations for ADATCs are terminated effective July 1, 2019, and reallocated to DMH/DD/SAS for allocation to the LME/MCOs. The LME/MCOs shall use these reallocated funds to manage and pay for the utilization of substance abuse treatment and services for individuals within their respective catchment areas.

SECTION 3.(b) In order to allow the LME/MCOs to plan in advance how to effectively and efficiently manage these reallocated ADATC funds, DMH/DD/SAS shall do all of the following:

- (1) Calculate and notify each LME/MCO by August 1, 2015, of its estimated share of these fund allocations for each fiscal year of the transition period. The estimated share of fund allocations for each LME/MCO shall be:
 - a. Based on the total amount of direct State appropriations allocated to the ADATCs for the 2015-2016 fiscal year.
 - b. Proportional to the total population of the LME/MCO catchment area, except that the estimated share of allocations for the LME/MCO known as Cardinal Innovations Healthcare Solutions (Cardinal) shall be reduced by an amount sufficient to reflect the ADATC state institution fund allocation received by Cardinal for the original counties under the Piedmont Demonstration Project.
- (2) As a condition of receiving its share of reallocated ADATC funds, require each LME/MCO to submit by February 1, 2016, a written transition plan describing how the LME/MCO plans to use these reallocated ADATC funds to (i) build capacity for community-based substance abuse services, (ii) reduce gaps in substance abuse services, (iii) purchase substance abuse services from the ADATCs, or (iv) any combination of these. DMH/DD/SAS shall review the written transition plans to ensure each LME/MCO proposes using these reallocated ADATC funds to purchase substance abuse services.

PART IV. LME/MCO PAYMENT AND UTILIZATION MANAGEMENT FOR ADATC SERVICES

SECTION 4. In order to allow the LME/MCOs to effectively and efficiently manage utilization of, and payment for, ADATC services for individuals within their respective catchment areas, each LME/MCO shall do all of the following:

- (1) By February 1, 2016, submit to DMH/DD/SAS a written transition plan describing how it plans to use reallocated ADATC funds to (i) build capacity for community-based substance abuse services, (ii) reduce gaps in substance abuse services, (iii) purchase substance abuse services from the ADATCs, or (iv) any combination of these.
- (2) By February 1 of each year, submit to DSOHF its projected demand for ADATC services for the upcoming fiscal year.
- (3) By April 1 of each year, enter into a contract with DSOHF for the ADATC services it intends to utilize during the next fiscal year. The contract shall include at least all of the following terms:
 - a. The projected amount of substance abuse services to be provided by the ADATCs to individuals within the LME/MCO catchment area.

- b. The negotiated rate to be paid by the LME/MCO for substance abuse services provided by the ADATCs to individuals receiving these services under the management of the LME/MCOs. The negotiated rate shall be sufficient to cover one hundred percent (100%) of the actual cost to the ADATCs for providing these services, except that during the transition period the negotiated rate shall be calculated as follows:
 1. For fiscal year 2016-2017, LME/MCOs shall pay twenty-five percent (25%) of the facility's per bed day cost for ADATC services provided to individuals under the management of the LME/MCOs.
 2. For fiscal year 2017-2018, LME/MCOs shall pay fifty percent (50%) of the per bed day cost for ADATC services provided to individuals under the management of the LME/MCOs.
 3. For the 2018-2019 fiscal year, LME/MCOs shall pay seventy-five percent (75%) of the per bed day cost for ADATC services provided to individuals under the management of the LME/MCOs.
 - c. Any conditions imposed upon the ADATCs for receiving payment from the LME/MCOs for services provided to individuals whose care is managed and paid for by the LME/MCOs, including prior authorization.
- (4) Implement and enforce the prior authorization process established by DHHS, in consultation with the LME/MCOs, pursuant to Section 2(b)(5) of this act.

PART V. ADJUSTMENT OF ADATC OPERATIONS

SECTION 5. It is the intent of the General Assembly that at the end of the transition period, each of the ADATCs be wholly receipt-supported. To this end, during the transition period, each of the ADATCs shall annually evaluate and adjust their operations based upon the projected demand for services and the availability of funding to meet the demand for services from direct State appropriations and estimated receipts from Medicare, Medicaid, insurance, self-pay, and the LME/MCOs. These operational adjustments shall be in compliance with the procedures established by DHHS pursuant to Section 2(b)(3) of this act.

PART VI. OVERSIGHT AND REPORTING

SECTION 6.(a) During the transition period, DMH/DD/SAS shall monitor each of the following with respect to integration of the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs:

- (1) Expenditures by LME/MCOs and by ADATCs to ensure that North Carolina continues to meet the maintenance of effort requirements of the federal Substance Abuse Prevention and Treatment Block Grant.
- (2) Efforts by each of the LME/MCOs to increase capacity for substance abuse treatment to ensure the development of community-based services to meet the needs of individuals formerly served by the ADATCs.
- (3) Utilization by LME/MCOs of substance abuse services provided by the ADATCs.

SECTION 6.(b) Beginning October 1, 2016, and annually thereafter until October 1, 2020, DHHS shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Program Evaluation Oversight Committee on each of the following:

- (1) The status of fully integrating the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs.
- (2) A breakdown of how direct State appropriations reallocated from the ADATCs to the LME/MCOs have been used to purchase substance abuse services.

PART VII. PLAN FOR STRENGTHENING PERFORMANCE MANAGEMENT FOR THE STATE'S PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES

SECTION 7. By January 15, 2016, DMH/DD/SAS, in consultation with the LME/MCOs, shall develop and submit to the Joint Legislative Oversight Committee on Health and Human Services a plan to strengthen performance management for the State's publicly funded substance abuse services. The Department is encouraged to consult with other Divisions under its jurisdiction, the North Carolina Court System, and other State agencies, including the Departments of Public Safety, Revenue, and Commerce, in order to develop a plan that integrates other data into a performance management system that measures outcomes. The plan shall identify at least all of the following:

- (1) Specific long-term outcome measures to be tracked by DMH/DD/SAS.
- (2) Challenges with the current information technology system used for Medicaid claim adjudication that may limit the State's ability to implement meaningful performance management, and proposed remedies for either eliminating this limitation in the system or collecting needed data from the LME/MCOs.
- (3) Time lines for all steps necessary for DMH/DD/SAS to begin tracking long-term outcome measures.
- (4) Data elements, such as patient placement criteria data, that would allow DMH/DD/SAS to improve the process for analyzing service gaps in substance abuse services.
- (5) Protocols for using long-term outcomes to (i) assess the effectiveness of treatment modalities and practices, (ii) measure the performance of providers and LME/MCOs in the delivery of substance abuse services, and (iii) hold LME/MCOs accountable for effective and efficient treatment.

PART VIII. EFFECTIVE DATE

SECTION 8. This act is effective when it becomes law.